

## Message Text

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41

ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-01 INR-07 L-02

NSAE-00 NSC-05 PA-01 RSC-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 /081 W

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R 071400Z FEB 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 1988

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E.O. 11652: N/A

TAGS: EGEN EG

SUBJECT: SADAT PROPOSES REVISED TAX STRUCTURE

1. IN EXTENSIVELY PUBLICIZED FEB 4 MESSAGE TO PRIME MINISTER HEGAZY AND ASSEMBLY SEPAKER MAR'I, PRESIDENT SADAT DESCRIBED LEGISLATIVE MEASURES TO BE TAKEN IN ORDER TO CARRY OUT EGYPT'S PROGRAMS AIMED AT ACHIEVING SOCIAL JUSTICE AND DECENT STANDARD OF LIVING FOR ENTIRE POPULATION.

2. AS EXPECTED, EXTENSIVE REVISION OF TAX STRUCTURE WILL BE MAJOR FACTOR IN THIS EFFORT, AND SHOULD BE DESIGNED TO ACCOMPLISH FOLLOWING OBJECTIVES:

A. EQUITABLE DISTRIBUTION OF RESPONSIBILITY (READ PROGRESSIVE TAX) AND TERMINATION OF POSSIBILITIES OF TAX EVASION, ESPECIALLY DISTRIBUTION OF ASSETS AMONG MEMBERS OF FAMILY;

B. TAXATION OF CAPITAL PROFITS, ACCRUED AS A RESULT OF GOE'S NEW POLICIES, TO PREVENT EXCESSIVE ACCUMULATION OF WEALTH;

C. INCREASED TAXES ON LUXURY GOODS TO HOLD DOWN CONSUMPTION AND ENCOURAGE PRODUCTIVE INVESTMENT, WITH POSSIBILITY OF REDUCED TAXES ON MORE ESSENTIAL GOODS;

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D. INSTITUTION OF RELIABLE AND COMPREHENSIVE SYSTEM OF TAX

COLLECTION, WHICH WILL REDUCE POSSIBILITIES FOR TAX EVASION,  
ITSELF CAUSE OF WASTEFUL CONSUMPTION.

3. PRESIDENT WENT ON TO SUGGEST THAT ASSEMBLY MIGHT ALSO  
WISH TO CONSIDER ADDITIONAL MEANS WHICH HAVE BEEN MENTIONED  
OF ACHIEVING EGYPT'S GOALS IN THIS FIELD, IN PARTICULAR VILLAGE  
TAX BASED ON ISLAMIC ZAKAT OR TITHING, AND LAW COVERING  
ILLICIT GAINS MADE BY GOVERNMENT AND PARTY LEADERS.  
(LATTER ISSUE HAS BEEN ITEM OF CONSIDERABLE INTEREST IN PRESS  
AND ASSEMBLY OVER PAST WEEKS.) SADAT'S MESSAGE STRESSES  
THAT HE IS AWARE THAT EGYPT HAS ONLY LIMITED PROBLEM OF THIS  
NATURE, BUT THAT REPUTATION AT HOME AND ABROAD REQUIRES  
SPEEDY PREPARATION AND APPLICATION OF ILLICIT GAINS LAW TO  
PUNISH THOSE FEW OFFENDERS.

4. COMMENT: GOE'S PROPOSALS FOR NEW TAX LAWS HAVE  
BEEN UNDER PREPARATION FOR SOME TIME, AND REPORTEDLY  
ALREADY REFLECT PRINCIPAL DESIRES OF ASSEMBLY, SINCE VARIOUS  
MEMBERS AND COMMITTEES HAVE BEEN CONSULTED IN ADVANCE.  
RESULTANT DRAFTS ARE EXPECTED TO BE ACCEPTABLE TO MAJORITY  
AND THEREBY AVOID MAJOR EXERCISE IN REVISIONS WHICH MIGHT  
HAVE OPENED WAY TO ASSAULT BY ELEMENTS OPPOSED TO ECONOMIC  
OPEN DOOR, AND WHO DESIRED FAR TIGHTER CONTROLS ON INVESTMENTS,  
PROFITS, ETC. AS IT IS, LAWS REVEAL RESIDUAL TENDENCY OF MAJOR  
SEGMENT OF EGYPTIAN BODY POLITIC TO VIEW UNBRIDLED PRIVATE  
ENTERPRISE WITH SUSPICION, SINCE ONLY THAT SECTOR WILL BE  
SIGNIFICANTLY AFFECTED.

5. WHILE SIMULTANEOUS EFFORTS ENCOURAGE PRIVATE CAPITAL  
AND CONTROL ITS ACTIVITIES ARE NOT UNUSUAL IN DEVELOPING  
COUNTRIES, THEY DO TEND TO BE COUNTER-PRODUCTIVE MOST OF  
TIME. EMBASSY'S OVERALL IMPRESSION IS THAT EGYPTIAN  
BUSINESSMEN ARE NOT OVERLY CONCERNED; THEY APPEAR TO  
BELIEVE THAT LAWS WHICH WILL EMERGE WILL BE REASONABLE.

5. WITH RESPECT ILLICIT GAINS, WHICH SOURCE OF CONSTANT  
RUMORS OF MISDEEDS AT HIGH LEVELS, SITUATION IS SOMEWHAT  
DIFFERENT. THERE ARE SOME WHO EXPECT THAT DEBATE ON THIS  
ISSUE MAY LEAD TO NAMING NAMES IF IT BECOMES HEATED.  
WE CONSIDER THIS UNLIKELY, BUT IT WILL AT LEAST BE AN  
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INTERESTING EXERCISE TO OBSERVE.  
EILTS

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
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**Draft Date:** 07 FEB 1975  
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**Disposition Case Number:** n/a  
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